

Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

STR-04 TRSE-00 FRB-03 FEA-01 PA-01 PRS-01 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 /103 W

----- 015222

R 031304Z MAY 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5420

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3053

E.O. 11652: GDS

TAGS: PFOR, EINV, ENRG, EC

SUBJ: ADA CASE

1. ADA LOCAL ATTORNEY CARLOS JIMENEZ CALLED ON EMBOFF APRIL 30 "UNDER INSTRUCTIONS" FROM HOUSTON TO DELIVER COPIES TO EMBASSY OF A LETTER AND ASSOCIATED DOCUMENTS THAT HE AND FORMER RESIDENT ADA MANGER BASTIDAS HAD GIVEN TO MINNATRES SALAZAR ON APRIL 17. THE PACKAGE APPEARS TO COMPLY AT LAST AND FULLY WITH THE GOE'S REQUEST FOR VARIOUS INFORMATION FROM THE ADA CONSORTIUM.

2. JIMENEZ SAID THAT THE CONSORTIUM RECEIVED A LETTER FROM MINISTER SALAZAR DATED JANUARY 27. HE DID NOT HAVE A COPY OF THAT LETTER FOR THE EMBASSY BUT SAID IT ASKED FOR THE CONSORTIUM'S VIEW OF THE VALUE OF ITS INVESTMENT, THE STATUS OF THE MEMBER COMPANIES AND THEIR INVESTMENTS, AND FOR THE CONSORTIUM'S VIEW ON WHAT PERCENTAGE OF THE INVESTMENT WOULD CONSTITUTE FAIR COMPENSATION. IT WAS PROBABLY THE LATTER POINT THAT LASSITER CHARACTERIZED AS "NAIVE" IN HIS LAST CONVERSATION WITH DEPARTMENT. JIMENEZ VIEWED THE LETTER AS
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AN OPPORTUNITY, HOWEVER, AND URGED A PROMPT REPLY. HE SAID

IT TOOK THE CONSORTIUM UNTIL APRIL TO REPLY BECAUSE OF THE USUAL DIFFICULTY OF REACHING AGREEMENT AMONG ALL THE COMPANIES.

3. THE PACKAGE CONTAINS A SUMMARY LETTER, AN EXPLANATORY MEMORANDUM, SUMMARY STATEMENTS FROM AUDITOR ARTHUR ANDERSON, AND NOTARIZED DOCUMENTS RELATING TO TRANSFER OF MEMBER COMPANY INTERESTS, INCLUDING THE EQUITY FUNDING DOCUMENT THAT HAD PROVEN SO ELUSIVE TO OBTAIN. ACCORDING TO THESE MATERIALS, THE AUDITED VALUE AS OF MAY 1974 OF THE TOTAL EXPENDITURE AND INVENTORIES WAS \$26,323,910 ASSIGNABLE TO PRESENT MEMBER COMPANIES AS FOLLOWS:

COMPANIA ADA DE EXPLORACION PETROLERA,	
PRIMER COMPANIA EN COMANDITA	40,578 PERCENT
GOLDEN EAGLE DEL ECUADOR, C.A.	25,068 PERCENT
COMPANIA HUMBOLDT, C.A.	15,830 PERCENT
GENERAL EXPLORATION DEL ECUADOR, C.A.	18,524 PERCENT
TOTAL	100,000 PERCENT

BY CONTRAST, THE PERCENTAGE HOLDINGS AT THE TIME OF ANNULMENT OF ADA'S CONTRACT IN NOVEMBER 1972 WERE AS FOLLOWS:

TRASERCO, INC.	23,750 PERCENT
COMPANIA GUAYAS, C.A.	15,830 PERCENT
COMPANIA MINERA BOLIVAR, C.A.	7,481 PERCENT
COMPANIA SANTA ELENA, C.A.	5,000 PERCENT
COMPANIA ADA DE EXPLORACION PETROLERA,	
PRIMER COMPANIA EN COMANDITA	17,890 PERCENT
GOLDEN EAGLE DEL ECUADOR, C.A.	11,052 PERCENT
COMPANIA HUMBOLDT, C.A.	15,830 PERCENT
COMPANIA PETROLERA DE LA COSTA, C.A.	3,167 PERCENT

THE MEMORANDUM AND ATTACHED LEGAL DOCUMENTS EXPLAIN THE VARIOUS CHANGES OF NAME AND ASSIGNMENTS OF INTEREST THAT OCCURRED SUBSEQUENTLY.

4. MEMORANDUM ALSO EXPLAINS THE CONSORTIUM'S REASONING IN ASKING FOR COMPENSATION FOR ALL EXPENDITURES, SAYS THAT ALL INVESTMENTS WERE USEFUL TO THE ECUADOREAN STATE, AND MAKES A CASE FOR INTEREST ON THE CLAIM AND A SHARE OF FUTURE GAS PRODUCTION. IN ADDITION LETTER ASKS THAT CASE BE RESOLVED PRIOR TO THE SIGNATURE OF ANY CONTRACT BY THE GOE AND NORTHWEST PIPELINE CORPORATION AND REQUESTS A MEETING IN QUITO IN THE WEEK OF APRIL 21 FOR THAT PURPOSE. IN TONE THE LETTER AND MEMORANDUM ARE NON-POLEMICAL AND CONFIDENTIAL

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STRIKE US AS WHAT THE CONSORTIUM COULD REASONABLY BE EXPECTED TO ARGUE WITH THE GOE ABOUT ITS CLAIM. THE PACKAGE SHOULD MEET THE GOE REQUEST FOR DOCUMENTATION AND LAY THE BASIS FOR PRODUCTIVE NEGOTIATIONS. OUR ONLY REGRET IS THAT IT HAS TAKEN SO LONG FOR THE PROCESS TO REACH THIS POINT.

5. JIMENEZ SAID THAT HE EXPRESSLY ASKED THE MINISTER ON APRIL 17 WHETHER THE CONSORTIUM SHOULD MEET WITH THE GOE SUBCOMMISSIONS

OR WITH OTHER INDIVIDUAL MEMBERS OF THE HIGH LEVEL COMMISSION.
SALAZAR SAID THEY SHOULD NOT; BECAUSE OF THE DELICACY OF THE
MATTER HE WANTS THE PACKAGE STUDIED AT A HIGHER LEVEL (WHICH
JIMENEZ TOOK TO MEAN WITH THE PRESIDENT.) SALAZAR WENT OUT OF
HIS WAY TO EMPHASIZE TO BASTIDAS AND JIMENEZ THAT IT IS
HIS AND THE PRESIDENT'S DESIRE TO RESOLVE THIS MATTER.
JIMENEZ PLANS TO CONTACT THE MINISTER AGAIN IN WEEK OF MAY 5
TO LEARN WHERE MATTERS STAND AND TO TRY TO ADVANCE THE CASE.

6. EMBASSY WILL FORWARD TO ARA/EP COPIES OF THE LETTER AND
DOCUMENT. MEANWHILE, AS REPORTED QUITO 2993, GOE HAS GONE
AHEAD AND SIGNED CONTRACT WITH NORTHWEST PIPELINE.
HEMENWAY

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Draft Date: 03 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
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Original Previous Classification: n/a
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Margaret P. Grafeld
Declassified/Released
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EO Systematic Review
05 JUL 2006

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Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
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TAGS: PFOR, EINV, ENRG, EC, ADA, (JIMENEZ, CARLOS)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006